

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03
H-01 PA-01 PRS-01 /086 W
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R 190945Z APR 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 4058
DEPT TREASURY WASHDC
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
DIA
USMISSION EC BRUSSELS
USMISSION NATO
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AMCONSUL NAPLES
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E.O. 11652: GDS
TAGS: ELAB, EFIN, IT, IMF
SUBJ: ITALIAN LABOR REACTS TO TEXT OF GOI LETTER OF INTENT TO
IMF; TURNS TO POLITICAL PARTIES

REF: A) ROME 5912 B) ROME 5362 C) ROME 4747

1. SUMMARY. ITALY'S LABOR LEADERSHIP REACTED WITH ANGRY SUR-
PRISE TO THE TEXT OF THE GOI'S LETTER OF INTENT TO THE IMF
PUBLISHED APRIL 14. LABOR WAS DISMAYED THAT THE GOI PLEDGED
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FURTHER EFFORTS TO MODIFY THE WAGE ESCALATOR (SCALA MOBILE)
SYSTEM, DESPITE PM ANDREOTTI'S PREMISE TO THE UNIONS NOT TO
OPEN THE QUESTION AGAIN DURING THE STANDBY AGREEMENT'S INITIAL
12-MONTH PERIOD (REF C, PARA 5). LABOR WAS ALSO UPSET THAT THE
LETTER RENOUNCED ACTION TO RESTRAIN PRICES, AND FELT IT EN-
VISIONED AN ECONOMIC POLICY SO RESTRICTIVE AS TO PRECLUDE THE
INVESTMENT AND EMPLOYMENT INCREASES LABOR DEMANDS.

2. THE CCU SECRETARIAT WARNED APRIL 14 THAT REALIZATION OF THE LETTER'S IMPLICATIONS WOULD CREATE AN UNHEALABLE CONFLICT BETWEEN THE CCU AND THE GOI. CCU URGED THE POLITICAL PARTIES TO AGREE ON A COMMON PROGRAM, GUARANTEED BY A PARLIAMENTARY MAJORITY, AND TO MEET WITH CCU TO HEAR ITS PROGRAM IDEAS. THE LABOR LEADERS' STRONG REACTIONS AGAINST THE LETTER TO THE IMF WERE EVIDENTLY MOTIVATED BY: 1) GENUINE INDIGNATION AT (POTENTIAL) REOPENING OF THE ESCALATOR QUESTION, 2) THEIR OWN INCREASED VULNERABILITY TO ALREADY TROUBLESOME ATTACK FROM BELOW AND 3) PARTISAN DESIRES TO MODIFY THE NATIONAL POLITICAL PICTURE. CCU'S RESPONSE IS TO IGNORE THE GOI AND TURN INSTEAD TO THE POLITICAL PARTIES FOR THE INVESTMENT AND EMPLOYMENT COMMITMENTS IT SEEKS. END SUMMARY.

3. THE GOI'S LETTER OF INTENT TO THE IMF, MADE PUBLIC BEFORE THE APRIL 14 MEETING OF THE 15-MAN SECRETARIAT OF THE NATIONAL TRI-CONFEDERAL LABOR FEDERATION CGIL-CISL-UIL (CCU) DREW ANGRY COMMENT FROM LABOR LEADERS OF NEARLY ALL POLITICAL CURRENTS, INCLUDING EVEN MODERATE REPUBLICAN FORMER UIL SECGEN VANNI. THE SECRETARIAT'S COMMUNIQUE COMPLAINED THAT THE LETTER CONTRADICTS THE GOI'S MARCH 30 COMMITMENTS TO THE CCU TO CONSIDER THE LABOR COST AND ESCALATOR QUESTIONS CLOSED, AND TO ATTACK PRICES AS WELL AS WAGES IN ITS FIGHT AGAINST INFLATION. THE CCU ALLEGED THAT THE LETTER PRESCRIBED A PURELY RESTRICTIVE ECONOMIC POLICY WHICH WOULD RULE OUT INCREASES IN INVESTMENT AND JOBS, PARTICULARLY IN THE SOUTH AND FOR YOUTH, WHICH CCU HAS LONG DEMANDED. LABOR LEADERS ALSO PROTESTED THAT THE LETTER ENVISIONED FURTHER INCREASES IN INDIRECT TAXES, WHEREAS THE GOI HAD PROMISED THAT THE NEW REVENUE NEEDS WOULD BE MET LIMITED OFFICIAL USE

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THROUGH DIRECT TAXES IN 1978. (TREASURY MINISTER STAMMATI RESPONDED TO UNION CRITICISMS BY POINTING OUT THAT THE LETTER OF INTENT SPECIFIES THAT BROAD LABOR-MANAGEMENT CONSENSUS WOULD BE A PREREQUISITE TO ANY FURTHER MODIFICATIONS IN THE ESCALATOR SYSTEM.)

4. ONE OF THE SHARPEST ATTACKS CAME FROM CISL'S PIERRE CARNITI AT A CONFERENCE OF APRIL 14 TO COORDINATE NEGOTIATIONS AT MAJOR PUBLIC AND PRIVATE INDUSTRIAL GROUPS. GARNITI SAID THE LETTER PRESCRIBED AN ECONOMIC POLICY LEADING FATALLY TO COMBINED INFLATION AND RECESSION, WITHOUT ANY INDUSTRIAL PLAN, AND REVEALED GOI DUPLICITY ON THE ESCALATOR AND PRICE RESTRAINT QUESTIONS. HE ALSO ATTACKED THE GOI FOR ALLEGEDLY INSPIRING THE OECD TO CALL ON ITALY TO RESTRAIN ITS ECONOMY EVEN AT THE PRICE OF TESTING ITALY'S SOCIAL COHESIVENESS, WHICH CARNITI TERMED PROVOCATIVE ADVENTURISM.

5. THE CCU SECRETARIAT'S COMMUNIQUE ALSO CALLED UPON THE POLITICAL PARTIES, WHICH ARE CURRENTLY HOLDING A SERIES OF

MEETINGS TO EXPLORE A POSSIBLE COMMON ECONOMIC PROGRAM FOR THE
GOI, TO MEET WITH THE CCU ABOUT THE CONTENTS OF SUCH A
PROGRAM. CCU WISHED THE PARTIES SUCCESS IN AGREEING ON A
PROGRAM, GUARANTEED BY A SECURE MAJORITY IN PARLIAMENT.
THE COMMUNIQUE DID NOT CALL FOR ANY FURTHER CCU-GOI MEETINGS.
IN SUBSEQUENT STATEMENTS, UIL SEC GEN GIORGIO BENVENUTO
(SOCIALSIT) AND OTHER UNION LEADERS ALLEGED THAT GOI DU
PLICITY AND LACK OF A SOLID PARLIAMENTARY BASIS MADE
FURTHER TALKS WITH IT POINTLESS. THE ONLY REALISTIC APPROACH
THEY CLAIMED, WAS TO URGE THE PARTIES TO DEVELOP A PROGRAM
LABOR COULD SUPPORT, AND WHICH A GOVERNMENT BACKED BY A
MAJORITY WOULD BE OBLIGATED TO FOLLOW. CISL'S CARNITI
COUNTERATTACKED VIGOROUSLY, WARNING HIS CGIL AND UIL COLLEAGUES
AGAINST LETTING THE LABOR MOVEMENT BE USED BY THE PARTIES
OF THE LEFT TO PUSH FOR A NEW, BROADER GOVERNMENT WITH
MAJORITY SUPPORT, TO WHICH LABOR WOULD THEN BE SUBSERVIENT.
LABOR, SAID CARNITI SHOULD CONFINE ITSELF TO URGING THE
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PARTIES TO ADOPT LABOR'S POINTS OF VIEW ON INVESTMENT,
EMPLOYMENT, PRICES, ETC., AND NOT PUSH FOR CHANGES IN THE
POLITICAL PICTURE.

6. A SENIOR UIL SOCIAL DEMOCRAT CONFIRMED TO EMBASSY LABOR'S
SURPRISE AND SENSE OF BETRAYAL AT THE TEXT OF THE LETTER.
HE EXPRESSED RESENTMENT THAT THE GOI AND POLITICAL PARTIES,
ESPECIALLY THE PCI, HAD EVADED RESPONSIBILITY AND PRESSURED
THE UNIONS INTO ACCEPTING THE ONUS FOR THEIR MEMBERS'
SACRIFICES. THE UNIONS, WITH DIFFICULTY, HAD SOLD THIS TO
THEIR RANK-AND-FILE ON THE BASIS OF GOI ASSURANCES THAT

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FM AMEMBASSY ROME
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INFO AMEMBASSY BONN
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PRESSURE ON THE ESCALATOR SYSTEM AND THE COST OF LABOR
WOULD THEN END FOR THE NEXT YEAR. HE FELT THE GOI HAD NOW
BETRAYED THEM AND WAS DELIBERATEDLY WEAKENING THE COHESION
AND STRENGTH OF THE UNIONS. HE ANTICIPATED NEW GOI PRESSURE
TO REVISE THE ESCALATOR SYSTEM IN MAY.

7. LACK OF A LONG TERM INDUSTRIAL RECOVERY PROGRAM MADE UNION
SACRIFICES FRUITLESS, HE FELT. UNION MEMBERS' SACRIFICES COULD
ONLY BE USEFUL, AS PART OF A LONG TERM PROGRAM OF INDUSTRIAL
RECOVERY. WHICH AN INTERIM MINORITY GOVERNMENT COULD NOT DEVELOP,
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HE SAID. THEREFORE, THE UNIONS WOULD ENCOURAGE THE PARTIES
TO DEVELOP AN AGREED PROGRAM, BACKED BY A MAJORITY IN PARLIA-
MENT. THE COMMUNISTS WOULD THUS BE SMOKED OUT AND FORCED TO ACCEPT
PUBLIC RESPONSIBILITY FOR UNPOPULAR DECISIONS INSTEAD OF INFLUENC-
ING GOI DECISIONS PRIVATELY, AS AT PRESENT. BEFORE MEETING WITH
THE PARTIES, THE UIL OFFICIAL SAID, THE CCU WOULD HAVE TO AGREE
ON A PROGRAM, REDUCED TO ESSENTIALS AND MAKING THE HARD
CHOICES. THE CCU ALREADY HAD MANY PROGRAM STATEMENTS IN FAVOR
OF NEARLY EVERYTHING, BUT UNLESS IT COULD MAKE THE HARD CHOICES,
CCU'S INPUT TO THE PROGRAM-FORMULATING PROCESS WOULD BE USELESS.

8. THE CCU SECRETARIAT MEETS AGAIN APRIL 20 TO MAKE THESE
HARD CHOICES AND PREPARE FOR A MEETING OF CCU'S 90 MEMBER
EXECUTIVE COMMITTEE APRIL 29. ANOTHER HARD CHOICE FACING
CCU'S LEADERS IS WHEN AND HOW TO PLAN ANOTHER ASSEMBLY OF
2-3,000 LOCAL UNION OFFICIALS AND/OR FACTORY DELEGATES,
PROBABLY EARLY IN MAY, TO DISCUSS THE GENERAL STATE OF THE LABOR
MOVEMENT AND THE PROGRESS OF UNIFICATION OF THE THREE CON-
FEDERATIONS, PRIOR TO THEIR THREE CONGRESSES THIS JUNE. CCU

LEADERS ARE WORRIED ABOUT BLACKLASH FROM THE RANK-AND FILE AND LOWER LEVEL LEADERSHIP AGAINST CCU "CONCESSIONS" TO THE GOI AND MANAGEMENT (REF. A). THEY ARE ALSO WORRIED ABOUT A REVOLT AGAINST THE CCU POLICY OF MINIMAL WAGE DEMANDS DURING THE MAJOR INDUSTRIAL GROUP NEGOTIATIONS NOW UNDERWAY.

8. COMMENT. TEXT OF LETTER OF INTENT HAS INCREASED DIFFICULTIES OF UNION LEADERSHIP IN DEFENDING THEMSELVES FROM A RESTIVE RANK-AND-FILE AND MILITANT RADICAL LEFT ATTACKS WITHIN THE CCU. SKEPTICISM OF GOI INTENTIONS LEADS THEM TO WORST POSSIBLE (FROM THEIR POINT OF VIEW) INTERPRETATION OF LETTER'S AMBIGUOUS POSITION ON WAGE ESCALATOR SYSTEM MODIFICATIONS AND PRICE RESTRAINTS, DESPITE MINISTER STAMMATI'S DISMISSAL OF CCU COMPLAINTS AS FAULTY READING OF LETTER. SOME UNION SKEPTICISM MAY INDEED BE JUSTIFIED ON THE ESCALATOR, BUT GOI IS PROBABLY WILLING TO DISCUSS INFORMAL PRICE SURVEILLANCE UNIONS ARE REQUESTING, THOUGH NOT DIRECT PRICE CONTROLS. LACK OF CLEAR LIMITED OFFICIAL USE

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REFERENCE IN LETTER OR OTHER RECENT PUBLIC GOI AFFIRMATION TO SECOND-STAGE INVESTMENT AND EMPLOYMENT GOAL OF GOI STABILIZATION PROGRAM MAKES IT DIFFICULT FOR UNION LEADERS TO DEFEND NEAR TERM SACRIFICES DEMANDED OF THEIR RANK-AND-FILE, AND EASY FOR TO CRITICS ATTACK BOTH CCU AND GOI FOR ASKING SACRIFICES WITHOUT ANY PROSPECT OF POSITIVE RESULTS. HOWEVER, WITH TICKLISH NEGOTIATIONS UNDERWAY BETWEEN POLITICAL PARTIES WHICH COULD LEAD TO A MODIFICATION OF THE GOVERNMENT OR ITS PARLIAMENTARY BASE, MANY OF THE LABOR LEADERS ARE OBVIOUSLY ACTING PRIMARILY IN SUPPORT OF THEIR OWN POLITICAL PARTIES (SOCIALISTS, REPUBLICANS, SOCIAL DEMOCRATS AND -- ALBEIT CAUTIOUSLY -- DEMOCRATS TO RESTRAIN ANY SUCH MODIFICATIONS). IN THIS REGARD, CARNITI, WHO ASPIRES TO LEADERSHIP IN THE CISL, MAY HAVE REINFORCED HIS WEAK CREDENTIALS WITH CHRISTIAN DEMOCRATS. GARDNER

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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